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FISCAL IMPACT REPORT

SPONSOR Soules LAST UPDATED _____
ORIGINAL DATE 1/24/23
BILL _____
SHORT TITLE Distributed Generation Facility Supply Cap NUMBER Senate Bill 56
ANALYST Sanchez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
PRC	No fiscal impact	No fiscal impact	No fiscal impact	N/A	N/A	N/A
EMNRD	No fiscal impact	No fiscal impact	No fiscal impact	N/A	N/A	N/A

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Responses Received From

Public Regulation Commission (PRC)

Energy, Minerals and Natural Resources Department (EMNRD)

No Response Received

Renewable Energy Transmission Authority (RETA)

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Senate Bill 56

Senate Bill 56 amends Section 62-13-13.1 NMSA 1978 to remove the cap on the size of a distributed energy facility, facilities that generate electricity at or near where it will be used, such as residential solar panels. The cap is currently set at 120 percent of the average annual consumption of electricity at the host site.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

In its analysis, PRC raises questions about the impact SB74 might ultimately have on the rates paid by customers for electricity, stating:

While there is no cost to the PRC to implement this bill, there will likely be costs incurred by utilities for any system upgrades that may be needed to accommodate the larger distributed generation (DG) facilities. These costs would consequently be paid by non-DG customers.

This bill may result in utilities being required to accommodate more DG in their system. Utilities will likely need system upgrades in order to make this accommodation. There should be no or negligible cost for the PRC to implement this bill, but there may be costs paid by non-DG customers for the needed system upgrades to accommodate the larger DG facilities. This can be expected to affect the rates customers pay for electric service in New Mexico.

While the potential impact on consumers is important to note, for the purposes of providing fiscal analysis as it relates to government revenues and appropriations, this bill has no fiscal impact.

SIGNIFICANT ISSUES

The current cap on the size of distributed generation facilities exists largely to prevent the power grid from being overloaded during times when energy generation outpaces demand. During periods of high wind or abundant solar energy, the caps allow for strategic balancing of supply and demand. While the removal of this cap might allow for increased energy production, without upgrades to the grid, EMNRD's expresses concerns about the reliability and stability of the energy grid:

[S]urplus generation has the potential to overwhelm feeder hosting capacity in the grid as it currently exists. Without distributed storage as well as distributed generation, coupled with other modern technologies which would allow utilities to see, predict, and store excess generation, the distribution grid is at risk of overheating. Limits on generation were put in place to protect the reliability of the system as a whole. SB 56 would put the desires of the customer ahead of the needs of the grid before grid modernization elements are put in place.”

SS/rl/hg